



DEFENSE LOGISTICS AGENCY
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IN REPLY
REFER TO

APR 28 2003

J-33
PROCLTR 03-07

MEMORANDUM FOR PROCLTR DISTRIBUTION LIST

SUBJECT: Defense Logistics Acquisition Directive (DLAD) 4105.1, Section 11.402,
Guidance on Factors to Consider in Establishing Delivery or Performance
Schedules for Planned Direct Vendor Delivery (DVD) for Hardware Items

The purpose of this PROCLTR is to disseminate new DLAD coverage regarding the planning process for determining when to use DVD to meet customer requirements and compliance with the Uniform Materiel Movement and Issue Priority System (UMMIPS) time standards.

The intent of this coverage is to implement and supplement the DLA Director's memorandum on Planned Direct Vendor Delivery Guidance for Hardware Items, dated November 22, 2002. DLAD 4105.1, Section 11.402 (attached) incorporates new coverage on UMMIPS time standards for DVD contracts. Subsection 11.402-90 provides UMMIPS time standards and subsection 11.402-91 provides guidance on appropriate exclusions from applying UMMIPS standards.

Agency policy requires delivery terms that meet UMMIPS time standards for requisition processing as promulgated in DoD Materiel Management Regulation DoD 4140.1-R, Appendix 8 (<http://superreg.1mi.org/supreg/ap08wkg.htm>). UMMIPS provides our customers with defined times for requisition processing and measures materiel movement from requisition submission to material receipt. To ensure maximum support for critical warfighter missions, planned DVD contract deliveries must adhere to UMMIPS. Any planned DVD Long Term Contract (LTC) that fails to meet an approved exception specified in the November 22, 2002 memorandum or meet required UMMIPS timeframes cannot continue unless fully justified and approved.

The Federal Acquisition Regulation, Part 11.402(a), recognizes the need for making tradeoffs that balance delivery needs with other elements. The regulation clearly identifies factors that shall be considered when establishing delivery schedules in supply or service contracts such as: urgency of need; industry practices; market conditions; and transportation/production time.

Although an instant reaction to correcting DVD contracts that do not meet UMMIPS standards may be to move all DVD supported items to stock, such action is overly



simplistic and can result in unnecessary inventory costs. Thus, this is not the absolute solution. The true solution to assure that customers receive what they need, when they need it, while lowering total cost, is to find the right mix of DVD and stock support.

The right mix should be determined on a case by case basis during the acquisition planning process through discussions with customers and vendors. The determination should also be supported by an accurate cost/benefit analysis. Tools that can assist in this decision making process include Business Case Analyses (BCA) in conjunction with the Vendor Stock Retention Model (VSRM). In certain cases the inclusion of a “desired and required time of delivery” provision may be helpful in determining the costs as well as the vendors’ ability to deliver quickly. Consideration must also be given to other factors including, but not limited to, those in the FAR reference listed above, in conjunction with the VSRM when developing the required BCA. For example, there are suppliers that consistently deliver a high percentage of their contract line items rapidly; yet, delivery times may slightly exceed UMMIPS standards. If the additional delivery time results in reduced prices, improved supply availability, and meets the intent of FAR guidance stated above, the situation may be appropriate for DVD. In such cases the analysis and determination should be well documented.

Contractor compliance with the contract delivery schedule is essential to ensure that customer requirements are met. Acquisition personnel shall closely monitor contractor performance to ensure that contractors are adhering to required contract delivery requirements. Appropriate contract administration actions shall be taken if contract delinquency occurs.

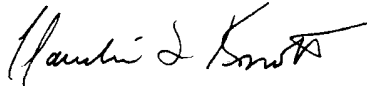
Center Commanders are required to track progress to insure that planned DVD contract deliveries comply with UMMIPS standards. The metrics that will be tracked and reported to J-3 on a quarterly basis include:

- Plan of actions & milestones - this metric will monitor the progress being made in reviewing existing planned DVD contracts to bring them into compliance with UMMIPS standards on a contract and national stock number (NSN) basis. It will also record the actions resulting from this review.
- Percent of planned DVD meeting UMMIPS standards - this metric will monitor the percent of planned DVD requisition and the percent meeting UMMIPS standards on a quarterly basis. This metric will be monitored by J-332.
- Shift from planned DVD to stock - this metric will monitor the number/value of contracts and NSNs that change from DVD support to stock support. This metric is being developed by J-331 in conjunction with J-38. This metric is currently under development.
- Contractor delivery performance on planned DVD contracts - this metric will track delinquency rates for planned DVD contracts. The metric is being developed by J-331 in conjunction with Supply Center personnel and will be consolidated to reflect

Supply Center and Agency delivery performance. This metric is currently under development.

We recognize that several DSC order processing systems currently use Issue Priority Group (IPG) codes in assigning delivery dates - not transportation priority codes. We expect that this condition will be corrected through business system modernization efforts. Due to anticipated time and costs required to update current systems, DSCs are authorized to continue using IPG codes in assigning delivery dates until business system modernization changes are finalized.

Compliance with this PROCLTR is effective immediately. This PROCLTR expires upon incorporation of the attached coverage into the DLAD. The points of contact for this PROCLTR are Mr. Paul Sabatini, J-3312, at (703) 767-3760 (DSN 427) and Mr. Miguel A. Zayas, (703) 767-1369.



CLAUDIA S. KNOTT
Executive Director
Acquisition, Technical, and Supply

Attachment

SUBPART 11.4 - DELIVERY OR PERFORMANCE SCHEDULES

11.401 General.

Absent locally coordinated operating procedures, contracting personnel will not change production lead-times or customer required delivery dates without prior coordination with the inventory manager and industrial specialist.

11.401-90 Extended contracting delays.

The contracting office shall immediately notify the item manager when extended delays in contract award are anticipated and, when possible, also advise of the length of delay in the proposed delivery schedule.

11.402 Factors to consider in establishing schedules.

Contracting officers shall ensure that delivery or performance schedules are realistic and meet customer requirements. When establishing a contract or delivery schedule, consideration shall be given to applicable factors in accordance with FAR 11.402(a) which includes urgency of need, industry standards, market conditions and transportation time.

11.402-90 Uniform Materiel Movement and Issue Priority Systems (UMMIPS) time standards

Contracting officers must ensure that planned Direct Vendor Delivery (DVD) contracts comply with UMMIPS time standards for requisition processing to the maximum extent practicable as promulgated in DoD Materiel Management Regulation DoD 4140.1-R, Appendix 8 (<http://superreg.lmi.org/supreq/ap08wkq.htm>). When cost considerations for obtaining UMMIPS timeframes prove not to be justifiable or are impractical, contracting officers should consider other alternatives such as: 1) obtain and use DVD support for only those lower requisition priorities for which UMMIPS can be met and use stock support for high priority requisitions; 2) contract for stock only. These business decisions must be fully supported by an economic analysis, Business Case Analysis or Vendor Stock Retention model analysis, where applicable, in accordance with PROCLTR 03-01.

In certain cases the inclusion of a "desired and required time of delivery" provision may be helpful in determining the costs as well as the vendors' ability to deliver rapidly. Consideration must be given to other factors including, but not limited to, those in the FAR reference listed above, in conjunction with the VSRM when developing the required BCA. For example, there are suppliers that consistently deliver a high percentage of their contract line items rapidly; yet, delivery may exceed UMMIPS standards. If the additional time results in reduced prices and improved supply availability, this may be a situation where DVD is appropriate. In such cases the analysis and determination should be well documented.

11.402-91 Appropriate exclusions for applying UMMIPS standards.

There are legitimate exceptions to the policy on UMMIPS standards for DVD contracts. Contracting officers should recognize the following as examples of appropriate exclusions from UMMIPS standards:

- 1) Planned DVD contracts for kits used by maintenance depots.
- 2) Planned DVD items for commercially available items (household/general purpose items only) where the vendor can support a contract delivery date not more than 3 days greater than the UMMIPS Total Order-to-Receipt Time (TORT);
- 3) Planned DVD contracts for a specific customer requiring support that is less demanding than the UMMIPS standards;
- 4) Planned DVD contracts for part numbered items (those with no NSN).
- 5) DVD contracts/orders for non-stocked items (Acquisition Advice Code (AAC) "J" which is not stocked, centrally procured non-stocked items). Although UMMIPS guidelines do not apply to this type of support, expedited delivery is still a critical requirement for non-stocked high priority requisitions. DVD arrangements must recognize urgency of need, item criticality, and weapon system coding, if applicable. Both Administrative Lead Time and Procurement Lead Time must be minimized.

The above exclusions do not apply to support for items assigned AAC D (DOD Integrated Materiel-Manager (IMM) stocked and issued) and AAC Z (Insurance/Numeric

Stockage Objective item). These items must meet appropriate UMMIPS pipeline standards. DLA customers will expect support for planned DVDs as quickly as they are supported from stock. Pipeline standards for materiel delivery exclude weekends and holidays (except for requirements with RDDs 999, N_, or E_). The UMMIPS pipeline standards are Service-level targets that shall be met or improved upon whenever physically and economically feasible. Individual segment standards should not be considered inviolate when subsequent savings in time and improved service can be achieved.

It is recognized that several Defense Supply Centers' (DSC) order processing systems currently use Issue Priority Group (IPG) codes in assigning delivery dates - not transportation priority codes. We expect that this condition will be corrected through business system modernization efforts. Due to anticipated time and costs required to update current systems, DSCs are authorized to continue using IPG codes in assigning delivery dates until business system modernization changes are finalized.